

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 AEC-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 XMB-04 PA-02

USIA-15 PRS-01 IO-10 /121 W
----- 107254

R 251915Z NOV 74

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 4904

UNCLAS LA PAZ 7723

E.O. 11652: N/A

TAG: ENRG, BEXP, BL

SUBJ: EARLY WARNING:

IDB APPROVES LOAN FOR TECHNICAL SERVICES TO Y.P.F.B.

REF: LA PAZ 6931

SUMMARY. PRESS OF NOVEMBER 22 REPORTED IDB APPROVED CREDIT FOR US: 1,150,000 TO Y.P.F.B. TO INCREASE Y.P.F.B.'S TECHNICAL CAPACITY AND TO FINANCE FEASIBILITY STUDY FOR CONSTRUCTION OF NATURAL GAS PIPELINE FROM CITY OF SUCRE TO CITY OF ORURO.

1. EXPANSION OF TECHNICAL CAPACITY REQUIRED TO A) IMPROVE HYDRO-CARBON EXPLORATION BY USING MODERN EXPLORATION METHODS: B) ESTABLISH NEW PETROLEUM-GAS PRODUCTION METHODS BY TRAINING PERSONNEL: C) USE MODERN MARKETING TECHNIQUES WHICH INCLUDE STUDIES OF TRANSPORTATION AND STORAGE OF HYDROCARBONS: AND D) ANALYZE PRODUCTION COSTS AND INTERNAL-EXTERNAL MARKET PRICING.

2. NATURAL GAS PIPELINE IS CONTINUATION OF MONTEAGUDO FIELD-SUCRE LINE. EXTENSION OF PIPELINE TO ORURO REQUIRES MARKET ANALYSIS ON USE OF NATURAL GAS IN ALTIPLANO AREA, FINAL ENGINEERING STUDIES,
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AND PREPARATION OF SPECIFICATIONS FOR EXPECTED BIDS.

3. IDB REPORTEDLY INFORMED USE OF NATURAL GAS RESERVES PREFERABLE TO USE OF LIQUID PETROLEUM GAS (LPG) BECAUSE AVAILABLE QUANTITIES OF NATURAL GAS RESERVES ARE MUCH GREATER THAN LPG RESERVES. Y.P.F.B. KNOWING THIS, IS ENCOURAGING REPLACEMENT OF USE OF LPG BY NATURAL GAS ESPECIALLY IN ALTIPLANO.

4. PIPELINE PROJECT ESTIMATED TO COST US\$ 1.4 MILLION, OF WHICH IDB WILL FINANCE 82.1 PERCENT AND Y.P.F.B. 17.9 PERCENT. LOAN PAYABLE IN 40 YEARS AT ONE PERCENT ANNUAL INTEREST FOR FIRST 10 YEARS AND TWO PERCENT FOR REMAINING TIME. REMAINING AMOUNT FROM LOAN, OR US\$ 205,850, TO BE USED FOR TECHNICAL ASSISTANCE TO Y P F B

5. SUBJECT LOAN FOR US\$ 1,150,000 TO Y P F B REPORTEDLY FOURTH LOAN GRANTED Y P F B BY IDB. FIRST WAS FOR US\$ 8.5 MILLION, AUTHORIZED 1969, FOR CONSTRUCTION OF NATURAL GAS PIPELINE FROM MONTE AGUDO FIELD TO SUCRE; SECOND FOR US\$ 19.0 MILLION USED TO PAY FOR CONSTRUCTION GAS PIPELINE FROM CITY OF SANTA CRUZ TO YACUIBA TO EXPORT GAS TO ARGENTINA; AND THIRD FOR US\$ 46.5 MILLION TO EXPAND COCHABAMBA REFINERY

6. COMMENT: NATURAL GAS IN BOLIVIA EXTIMATED TO CONTAIN ABOUT 4 TO 5 PERCENT LPG. USE OF DRY NATURAL GAS THEN MORE ADVANTAGEOUS THAN USE OF LPB.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, NATURAL GAS, EXPLORATION, TECHNICAL ASSISTANCE, BANK LOANS, PIPELINES
Control Number: n/a
Copy: SINGLE
Draft Date: 25 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LAPAZ07723
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740342-0072
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741115/aaaaamod.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: LA PAZ 6931
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 14 NOV 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 NOV 2002 by maustmc>; APPROVED <20-Nov-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EARLY WARNING: IDB APPROVES LOAN FOR TECHNICAL SERVICES TO Y.P.F.B.
TAGS: ENRG, BEXP, BL, IDB, Y P F B
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005